

**CITY OF PERRY  
SHIAWASSEE COUNTY, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS  
AND AUDITORS' REPORT**

**JUNE 30, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF PERRY	County SHIAWASSEE
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 19, 2006	Date Audit Report Submitted to State DECEMBER 5, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

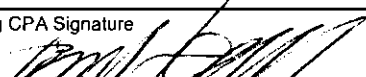
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DEMIS & WENZLICK, P.C.		Telephone Number 989-723-8227	
Street Address 217 N. WASHINGTON STREET, STE. 201		City OWOSSO	State MI
Zip 48867			
Authorizing CPA Signature 	Printed Name JAMES DEMIS, JR. CPA		License Number 1101008874

## TABLE OF CONTENTS

List of Council Members	1
Independent Auditor's Report	2 - 3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	4
Statement of Activities	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes in Fund Net Assets	11
Statement of Cash Flows	12
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	13
Notes to Financial Statements	14 - 30

## Required Supplemental Information

### Budgetary Comparison Schedule

General Fund	31
Major Street Fund	32
Local Street Fund	33

### Other Supplemental Information 34

#### Combining Balance Sheet - Non-Major Governmental Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	35
---	----

#### General Fund

Comparative Balance Sheet	36
---------------------------	----

Schedule of Revenues, Expenditures and Changes in Fund Balance - Compared to Budget	37 - 38
---	---------

#### Fiduciary Funds

Combining Balance Sheet	39
-------------------------	----

Report on Internal Control over Financial Reporting and on Compliance and other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40 - 41
--	---------

Report of Recommendations	42 - 43
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CITY OF PERRY  
LIST OF COUNCIL MEMBERS  
JUNE 30, 2006

CITY COUNCIL

Brad Ford	Mayor
Thomas Chaput	Mayor Pro-Tem
Christine Tobias	Council Person
Terry Wood	Council Person
William Morehouse	Council Person
James A. Huguelet	Council Person
Susan Richardson	Council Person

ADMINISTRATIVE OFFICERS

Jo Ann Velting	Treasurer
Judy Guenther	Clerk



# DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

217 N. Washington Street  
Pabst Building, Suite 201  
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143  
E-MAIL office@dw-cpa.com

Carol A. Demis  
Jeanette Gaitskill  
Greg Irish  
Janis K. Mead  
Tammy Pappas  
David Pullen  
Peggy Ryan  
Vicki E. Schuler  
Joyce M. Simmons  
Barbara Wenzlick  
Gail Winnick, C.P.A.

James Demis, Jr., C.P.A.  
LaVearn G. Wenzlick, C.P.A.  
Lori S. Chant, C.P.A.  
Geraldine Terry, C.P.A.

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor  
and Members of the City Council  
City of Perry  
Perry, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of the City of Perry as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the City of Perry as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof, of the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The City has not presented the Management Discussion and Analysis, that the Governmental Accounting Standards Board in its Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments has determined necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2006 on our consideration of the City of Perry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dennis and Kierulff, P.C.*

Certified Public Accountants

Owosso, Michigan  
October 19, 2006

CITY OF PERRY  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 281,403	\$ 763,450	\$1,044,853
Receivables	34,423	58,855	93,278
Internal Balances	43,505	(43,381)	124
Due from Other Gov't Units	90,802	-	90,802
Prepaid Expenditures	21,935	-	21,935
Other Assets	-	8,243	8,243
Capital Assets (Net)	<u>1,423,520</u>	<u>2,846,603</u>	<u>4,270,123</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,895,588</u></b>	<b><u>\$3,633,770</u></b>	<b><u>\$5,529,358</u></b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 32,522	\$ 802	\$ 33,324
Accrued & Other Liabilities	31,711	32,356	64,067
Noncurrent Liabilities			
Due within one year	87,179	75,000	162,179
Due in more than one year	<u>967,021</u>	<u>556,000</u>	<u>1,523,021</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$1,118,433</u></b>	<b><u>\$ 664,158</u></b>	<b><u>\$1,782,591</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 416,631	\$2,215,603	\$2,632,234
Reserved for Restricted Assets	-	235,243	235,243
Unreserved:			
Designated for Capital Assets	-	474,142	474,142
Unreserved	<u>360,524</u>	<u>44,624</u>	<u>405,148</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 777,155</u></b>	<b><u>\$2,969,612</u></b>	<b><u>\$3,746,767</u></b>

See accompanying notes to financial statements.



CITY OF PERRY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expenses) Revenue And Changes in Net Assets		
		Charges for Services	Oper. Grants and Contrib.	Capital Grants and Contrib.	Gov't Activities	Business Type Activities	Totals
Expenses							
Functions/Programs							
PRIMARY GOVERNMENT							
Governmental Activities							
General Gov't.	\$ 396,171	\$ 1,797	\$ -	\$ -	\$ (394,374)	\$ -	\$ (394,374)
Public Safety	427,792	-	1,470	-	(426,322)	-	(426,322)
Public Works	379,349	-	-	-	(379,349)	-	(379,349)
Recreation & Culture	109,458	-	4,137	-	(105,321)	-	(105,321)
Int. on Long-Term Debt	<u>41,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,681)</u>	<u>-</u>	<u>(41,681)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$1,354,451</u>	<u>\$ 1,797</u>	<u>\$ 5,607</u>	<u>\$ -</u>	<u>\$ (1,347,047)</u>	<u>\$ -</u>	<u>\$ (1,347,047)</u>
Business-type Activities							
Sewer	\$ 327,927	\$326,312	\$ -	\$ -	\$ -	\$ (1,615)	\$ (1,615)
Water	<u>278,636</u>	<u>292,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,962</u>	<u>13,962</u>
Total Business- Type Activities	<u>\$ 606,563</u>	<u>\$618,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,347,047)</u>	<u>\$ 12,347</u>	<u>\$ (1,334,700)</u>
TOTAL PRIMARY GOV'T	<u>\$1,961,014</u>	<u>\$620,707</u>	<u>\$ 5,607</u>	<u>\$ -</u>	<u>\$ (1,347,047)</u>	<u>\$ 12,347</u>	<u>\$ (1,334,700)</u>
General Revenues							
Property Taxes					\$ 674,252	\$ -	\$ 674,252
Special Assessments					16,344	-	16,344
State Shared Revenue					343,240	-	343,240
Unrestricted Investment Earnings					17,120	24,676	41,796
Licenses & Permits					39,584	-	39,584
Miscellaneous & Transfers					<u>295,802</u>	<u>-</u>	<u>295,802</u>
Total General Revenues and Transfers					<u>\$1,386,342</u>	<u>\$ 24,676</u>	<u>\$ 1,411,018</u>
Change in Net Assets					39,295	37,023	76,318
NET ASSETS - BEGINNING					<u>737,860</u>	<u>2,932,589</u>	<u>3,670,449</u>
NET ASSETS - ENDING					<u>\$ 777,155</u>	<u>\$2,969,612</u>	<u>\$ 3,746,767</u>

See accompanying notes to financial statements.

CITY OF PERRY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>ASSETS</b>					
Cash and Cash Equiv.	\$108,354	\$50,148	\$ 9,620	\$63,694	\$231,816
Receivables	34,423	-	-	-	34,423
Due from Other Funds	50,124	-	-	-	50,124
Due from Other Gov't.	69,961	14,637	6,204	-	90,802
Prepaid Expenditures	18,810	-	-	-	18,810
<b>TOTAL ASSETS</b>	<b><u>\$281,672</u></b>	<b><u>\$64,785</u></b>	<b><u>\$15,824</u></b>	<b><u>\$63,694</u></b>	<b><u>\$425,975</u></b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Due to Other Funds	\$ 1,119	\$ -	\$ -	\$ -	\$ 1,119
Accounts Payable	13,102	327	328	1,796	15,553
Accrued Wages	5,562	252	242	760	6,816
Deferred Revenue	34,423	-	-	-	34,423
<b>TOTAL LIABILITIES</b>	<b><u>\$ 54,206</u></b>	<b><u>\$ 579</u></b>	<b><u>\$ 570</u></b>	<b><u>\$ 2,556</u></b>	<b><u>\$ 57,911</u></b>
<b>FUND BALANCE</b>					
Unreserved					
Other Undesignated	227,466	64,206	15,254	61,138	368,064
<b>Total Fund Balance</b>	<b><u>227,466</u></b>	<b><u>64,206</u></b>	<b><u>15,254</u></b>	<b><u>61,138</u></b>	<b><u>368,064</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$281,672</u></b>	<b><u>\$64,785</u></b>	<b><u>\$15,824</u></b>	<b><u>\$63,694</u></b>	<b><u>\$425,975</u></b>

See accompanying notes to financial statements.

CITY OF PERRY  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 368,064

Total Net Assets Reported for Governmental  
Activities in the Statement of Net Assets  
is different because:

Deferred Special Assessments 34,423

Capital Assets used in Governmental Activities  
are not Financial Resources and therefore  
are not reported in the funds 1,216,085

Long-term Liabilities applicable to governmental  
activities are not due and payable in the current  
period and accordingly are not reported as fund  
liabilities. All liabilities - both current and  
long-term are reported in the statements of  
net assets

Balances as of June 30, 2006 as follows:

Bonds Payable	\$(1,006,889)	
Accrued Interest Payable	(24,721)	
Compensated Absences Payable	<u>(47,311)</u>	(1,078,921)

Internal service funds are used by management to  
charge the cost of equipment to individual  
funds. Certain assets and liabilities of  
internal service funds are included in  
governmental activities in the statement  
of net assets 237,504

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 777,155

See accompanying notes to financial statements.

CITY OF PERRY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>REVENUES</b>					
Taxes and Penalties	\$ 674,252	\$ -	\$ -	\$ -	\$ 674,252
Licenses and Permits	39,584	-	-	-	39,584
State Grants	217,020	88,647	37,573	4,137	347,377
Federal Grants	1,470	-	-	-	1,470
Charges for Services	1,797	-	-	-	1,797
Fines and Forfeitures	11,857	-	-	30,486	42,343
Interest and Rentals	135,424	2,227	592	64,786	203,029
Other Revenue	<u>64,642</u>	<u>-</u>	<u>-</u>	<u>2,908</u>	<u>67,550</u>
TOTAL REVENUES	<u>\$1,146,046</u>	<u>\$ 90,874</u>	<u>\$ 38,165</u>	<u>\$102,317</u>	<u>\$1,377,402</u>
<b>EXPENDITURES</b>					
Current					
Legislative	\$ 17,542	\$ -	\$ -	\$ -	\$ 17,542
General Government	293,295	-	-	-	293,295
Public Safety	430,685	-	-	-	430,685
Public Works	216,177	68,415	63,717	4,163	352,472
Recreation & Culture	8,194	-	-	101,044	109,238
Capital Outlay	-	-	225	6,197	6,422
Debt Service	49,047	-	-	55,100	104,147
Drains at Large	<u>21,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,049</u>
TOTAL EXPENDITURES	<u>\$1,035,989</u>	<u>\$ 68,415</u>	<u>\$ 63,942</u>	<u>\$166,504</u>	<u>\$1,334,850</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 110,057</u>	<u>\$ 22,459</u>	<u>\$ (25,777)</u>	<u>\$ (64,187)</u>	<u>\$ 42,552</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers In	-	-	22,000	66,000	88,000
Transfers Out	<u>(66,000)</u>	<u>(22,000)</u>	<u>-</u>	<u>-</u>	<u>(88,000)</u>
Total Other Financing Sources and Uses	<u>\$ (66,000)</u>	<u>\$ (22,000)</u>	<u>\$ 22,000</u>	<u>\$ 66,000</u>	<u>\$ -</u>
Net Change in Fund Bal.	<u>44,057</u>	<u>459</u>	<u>(3,777)</u>	<u>1,813</u>	<u>42,552</u>
FUND BALANCE - BEGINNING	<u>183,409</u>	<u>63,747</u>	<u>19,031</u>	<u>59,325</u>	<u>325,512</u>
FUND BALANCE-ENDING	<u>\$ 227,466</u>	<u>\$ 64,206</u>	<u>\$ 15,254</u>	<u>\$ 61,138</u>	<u>\$ 368,064</u>

See accompanying notes to financial statements.

CITY OF PERRY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 42,552	
Total Change in Net Assets Reported for Governmental Activities in the Statement of Activities is different because:		
Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense		
Depreciation Expense	\$ (49,715)	
Capital Outlay	<u>16,645</u>	(33,070)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Current Collection of Special Assessments		16,344
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets		
Repayments of Long-Term Debt		84,633
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		(48,363)
Internal service funds are used by management to charge the cost of equipment to individual funds. Certain net revenue (expense) of internal service funds are included in governmental activities in the statement of activities		
		<u>(22,801)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 39,295</u>

See accompanying notes to financial statements.

CITY OF PERRY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Business-Type Activities Enterprise Funds			Internal Service Funds		
	Sewer	Water	Total	Motor Pool	Office Equipment Pool	Total
<b>ASSETS</b>						
Current Assets						
Cash & Cash Equiv.	\$ 394,218	\$ 19,523	\$ 413,741	\$ 40,986	\$ 8,601	\$ 49,587
Receivables	32,377	26,478	58,855	-	-	-
Prepaid Expenses	-	-	-	-	3,125	3,125
Due from Other Funds	85,000	6,619	91,619	-	-	-
TOTAL CURRENT ASSETS	\$ 511,595	\$ 52,620	\$ 564,215	\$ 40,986	\$ 11,726	\$ 52,712
Capital Assets	\$3,315,695	\$1,573,644	\$4,889,339	\$ 467,546	\$ 67,047	\$534,593
Less: Accum Depr.	(1,425,809)	(616,927)	(2,042,736)	(272,704)	(54,454)	(327,158)
Net Property, Plant & Equipment	\$1,889,886	\$ 956,717	\$2,846,603	\$ 194,842	\$ 12,593	\$207,435
Restricted Assets						
Cash & Cash Equiv.	288,960	60,749	349,709	-	-	-
Other Assets						
Unamortized Bond Disc. & Fin. Costs	6,493	1,750	8,243	-	-	-
TOTAL ASSETS	\$2,696,934	\$1,071,836	\$3,768,770	\$ 235,828	\$ 24,319	\$260,147
<b>LIABILITIES</b>						
Current Liabilities						
Accts. Payable	\$ 148	\$ 654	\$ 802	\$ 15,447	\$ 1,522	\$ 16,969
Accrued Wages & Related Liab.	7,713	7,437	15,150	174	-	174
Due to Other Funds	-	135,000	135,000	5,500	-	5,500
Current Portion of Non-Current Liab.	40,000	35,000	75,000	-	-	-
Accrued Int. Pay.	1,400	6,839	8,239	-	-	-
Cust. Dep. Payable	-	8,967	8,967	-	-	-
TOTAL CURRENT LIAB.	\$ 49,261	\$ 193,897	\$ 243,158	\$ 21,121	\$ 1,522	\$ 22,643
Noncurrent Liabilities						
Bonds, Notes & Loans Payable	95,000	461,000	556,000	-	-	-
Total Liabilities	\$ 144,261	\$ 654,897	\$ 799,158	\$ 21,121	\$ 1,522	\$ 22,643
<b>NET ASSETS</b>						
Invested in Capital assets, net of related Debt	\$1,754,886	\$ 460,717	\$2,215,603	\$ 194,842	\$ 12,593	\$ 207,435
Reserved for Rest. Assets	185,643	49,600	235,243	-	-	-
Restricted for: Design. for Capital Assets	432,642	41,500	474,142	-	-	-
Other Unrestricted	179,502	(134,878)	44,624	19,865	10,204	30,069
TOTAL NET ASSETS	\$2,552,673	\$ 416,939	\$2,969,612	\$214,707	\$ 22,797	\$ 237,504

See accompanying notes to financial statements.

CITY OF PERRY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006

	Business-Type Activities Enterprise Funds			Internal Service Funds		
				Motor	Office Equipment	
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Pool</u>	<u>Pool</u>	<u>Total</u>
OPERATING REVENUES						
Charges for Service	\$ 294,955	\$ 265,277	\$ 560,232	\$ 86,784	\$15,550	\$102,334
Connection & Tap Charges	24,861	16,484	41,345	-	-	-
Penalties	6,496	6,008	12,504	-	-	-
Other Reimburse./Sales	-	4,829	4,829	16,656	-	16,656
TOTAL OPERATING REVENUES	<u>\$ 326,312</u>	<u>\$ 292,598</u>	<u>\$ 618,910</u>	<u>\$103,440</u>	<u>\$15,550</u>	<u>\$118,990</u>
OPERATING EXPENSE						
Salaries and Wages	\$ 73,610	\$ 70,802	\$ 144,412	\$ 9,760	\$ -	\$ 9,760
Fringe Benefits	26,578	25,923	52,501	6,392	-	6,392
Supplies	5,462	9,839	15,301	27,331	2,159	29,490
Other Service & Charges	102,310	98,459	200,771	-	-	-
Repairs & Maintenance	34,633	12,822	47,453	36,418	10,312	46,730
Depreciation	74,801	34,235	109,036	45,063	6,329	51,392
Total Operating Expenses	<u>\$ 317,394</u>	<u>\$ 252,080</u>	<u>\$ 569,474</u>	<u>\$124,964</u>	<u>\$18,800</u>	<u>\$143,764</u>
Operating Income (Loss)	<u>\$ 8,918</u>	<u>\$ 40,518</u>	<u>\$ 49,436</u>	<u>\$(21,524)</u>	<u>\$(3,250)</u>	<u>\$(24,774)</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest & Invest. Rev.	\$ 21,498	\$ 3,178	\$ 24,676	\$ 1,552	\$ 421	\$ 1,973
Int. & Invest. Exp.	(10,533)	(26,556)	(37,089)	-	-	-
Total Non-Operating Revenues (Expenses)	<u>10,965</u>	<u>(23,378)</u>	<u>(12,413)</u>	<u>1,552</u>	<u>421</u>	<u>1,973</u>
Change in Net Assets	19,883	17,140	37,023	(19,972)	(2,829)	(22,801)
NET ASSETS - BEGINNING	<u>2,532,790</u>	<u>399,799</u>	<u>2,932,589</u>	<u>234,679</u>	<u>25,626</u>	<u>260,305</u>
NET ASSETS - ENDING	<u>\$2,552,673</u>	<u>\$ 416,939</u>	<u>\$2,969,612</u>	<u>\$214,707</u>	<u>\$22,797</u>	<u>\$237,504</u>

See accompanying notes to financial statements.

**CITY OF PERRY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006**

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>			<u>Internal Service Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Office Equip. Pool</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from Customers	\$ 317,047	\$ 277,748	\$ 694,795	\$ 86,784	\$15,550	\$102,334
Payments to Suppliers	(20,812)	(22,418)	(43,230)	(12,532)	(10,738)	(23,270)
Payments to Employees	(103,947)	(100,968)	(204,915)	(16,473)	-	(16,473)
Other Receipts (Payments)	(116,058)	(84,462)	(200,520)	(15,329)	(3,486)	(18,815)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 76,230	\$ 69,900	\$ 146,130	\$ 42,450	\$ 1,326	\$ 43,776
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Purchase/Disposal of Capital Assets	\$ (75,000)	\$ 1,963	\$ (73,037)	\$(60,819)	\$(3,449)	\$(64,268)
Retirement of Debt	(40,000)	(34,000)	(74,000)	-	-	-
Int. & Fiscal Charges Paid	(10,533)	(26,556)	(37,089)	-	-	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	\$(125,533)	\$(58,593)	\$(184,126)	\$(60,819)	\$(3,449)	\$(64,268)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Revenue	21,498	3,178	24,676	1,553	421	1,974
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (27,805)	\$ 14,485	\$ (13,320)	\$ (16,816)	\$ (1,702)	\$ (18,518)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	710,982	65,787	776,769	57,802	10,303	68,105
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 683,177	\$ 80,272	\$ 763,449	\$ 40,986	\$ 8,601	\$ 49,587
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 8,918	\$ 40,518	\$ 49,436	\$(21,524)	\$(3,250)	\$(24,774)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation & Amortization	77,206	34,934	112,140	45,063	6,329	51,392
Change in Assets & Liab.						
Receivables/Prepays	10,483	(3,403)	7,080	-	(3,125)	(3,125)
Due from Other Funds	(15,000)	(6,619)	(21,619)	-	-	-
Accounts Payable	(2,697)	(9,599)	(12,296)	13,237	1,372	14,609
Wages & Comp. Absec. Payable	(2,409)	(2,893)	(5,302)	174	-	174
Accrued Interest Payable	(271)	(401)	(672)	-	-	-
Customer Deposits Payable	-	2,363	2,363	-	-	-
Due to Other Funds	-	15,000	15,000	5,500	-	5,500
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 76,230	\$ 69,900	\$ 146,130	\$ 42,450	\$ 1,326	\$ 43,776

See accompanying notes to financial statements.



CITY OF PERRY  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2006

	<u>AGENCY FUNDS</u>
 ASSETS	
Cash	\$ 5,107
Due from Other Funds	<u>-</u>
TOTAL ASSETS	<u>\$ 5,107</u>
 LIABILITIES	
Due to Other Funds	\$ 5,107
Due to Other Governmental Units	<u>-</u>
TOTAL LIABILITIES	<u>\$ 5,107</u>

See accompanying notes to financial statements.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Perry conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the City:

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privilege provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

REPORT ENTITY

The financial reporting entity of the City of Perry includes all funds and accounts of the City.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City has considered all potential component units in evaluating how to define the city for financial reporting purposes. The decision to include the component units in the reporting entity was made by applying the criteria set forth in Statement 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity as well as the Statement of Michigan Governmental Accounting and Auditing No. 5, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial statements is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, and the ability to exercise significant influence over operations.

**BLENDED COMPONENT UNIT**

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the City. It is reported as part of the City and blended into the appropriate funds.

Building Authority - The Perry Area Building Authority exists and operates for the purpose of owning, equipping, operating and maintenance of property leased by the City of Perry. For the Authority's year end December 31, 2005, the City made lease payments amounting to \$58,162 for occupancy of facilities owned by the Authority. Subsequent to the Authority's year end, the City has made additional lease payments through June 30, 2006 amounting to \$37,325. The board members of the Authority are appointed by City Council. Since the Perry Building Authority exists and operates for the sole benefit of the City of Perry, its financial records are included as a blended component in the general purpose financial statements of the City.

Copies of the Perry Building Authority financial statements can be obtained by writing:

Ms. Jo Ann Velting  
City Treasury  
City of Perry  
203 W. Polly Street  
Perry, MI 48872

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the resources of state gas and weight tax revenue that are restricted for use on Major and Local Streets.

The City reports the following Major Proprietary Funds:

The Sewer Fund accounts for the cost of collection and treating waste waters.

The Water Fund accounts for the costs of providing water services to City residents.

Additionally, the City reports the following:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Internal Service Funds - The Internal Service Fund accounts for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Agency Funds - The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT  
PRESENTATION (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds, relate to charges to customers for water sales and services and sewage disposal charges. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

PROPERTY TAX REVENUE

Property taxes are levied on each July 1, on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1, of the following year, at which time penalties and interest are assessed.

The City's 2005 ad valorem tax is levied and collectible on July 1, 2005, and is recognized as revenue in the year ended June 30, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the City of Perry is \$43,811,318 on which ad valorem taxes levy consisted of 14.5265 mills for operating purposes.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments - The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other fund" Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Certain revenue bonds of the enterprise funds require amounts to be set aside for bond reserve. These amounts have been classified as restricted investments.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City began recording governmental infrastructure constructed on or after July 1, 2003 as allowed by GASB 34.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment is depreciated using the straight line method over the following useful lives.

Land Improvements	10 to 20 years
Building and Building Improvements	25 to 40 years
Utility Systems	25 to 40 years
Roads	25 years
Other Infrastructure	20 to 40 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Compensated Absences - Full-time employees receive 48 hours of sick leave time after completing six months of employment. Thereafter, sick leave time accumulates eight hours per month with a maximum accumulation of 960 hours. Full-time employees who have accumulated their full 960 hours will be paid for half of the unused sick leave time for the year on the first pay of December of each year. The balance will be lost due to accumulation. The City will also pay one-third accumulated sick leave time upon retirement or death. Other reasons for termination will not be reimbursed for accumulated sick leave. Full-time employees earn vacation time at the following rate: 40 hours after one year of service, 80 hours after two years of service, 120 hours after five years of service, 160 hours after fifteen years of service, and 200 hours after twenty years of service. If vacation time is not used during the year, employees may carry over up to 40 hours to the next year. Any remaining unused vacation time will be paid at the employee's normal rate of pay in the first pay period following their anniversary date. Upon termination, employees will be paid accumulated vacation time. All vacation pay and one third sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

Long-term obligation - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data is not included in the City's financial statements.

NOTE 2 - DEPOSITS

Michigan Compiled Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency of instrumentality of the United States. United States government or federal agency obligations; repurchase agreements, bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City of Perry's deposits and investment policy are in accordance with statutory authority.

DEPOSITS

At year end, the carrying amount of the City's deposits with financial institutions including \$280 of petty cash was \$1,049,960 and the bank balance was \$1,124,092. Of the bank balance \$279,160 was covered by federal depository insurance and \$844,932 was uninsured and uncollateralized.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 3 - RECEIVABLES

Receivables as of year end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Water</u>	Internal Service & Other <u>Governmental</u>	<u>Total</u>
Accounts	\$ -	\$32,377	\$26,478	\$ -	\$ 58,855
Special Assmts.	34,423	-	-	-	34,423
Intergovernmental	<u>69,961</u>	<u>-</u>	<u>-</u>	<u>20,841</u>	<u>90,802</u>
GROSS RECEIVABLES	<u>\$104,384</u>	<u>\$32,377</u>	<u>\$26,478</u>	<u>\$20,841</u>	<u>\$184,080</u>
Due within one year	\$ 87,842	\$32,377	\$26,478	\$20,841	\$167,538
Due after one year	<u>16,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,542</u>
	<u>\$104,384</u>	<u>\$32,377</u>	<u>\$26,478</u>	<u>\$20,841</u>	<u>\$184,080</u>

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Balance <u>7-1-05</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6-30-06</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets not being				
Depreciation:				
Land	\$ 33,869	\$ -	\$ -	\$ 33,869
Capital Assets being				
Depreciation:				
Building	1,112,924	13,703	-	1,126,627
Office Equipment	173,427	3,449	-	176,876
Public Works Equip.	40,685	-	(4,500)	36,185
Police Equipment	19,289	2,942	-	22,231
Park Equipment	14,304	-	-	14,304
Motor Pool Equip.	418,277	109,269	(60,000)	467,546
Major Street Equip.	38,000	-	-	38,000
Streetscape Project	338,948	-	-	338,948
Library Collection	<u>196,425</u>	<u>-</u>	<u>-</u>	<u>196,425</u>
CAPITAL ASSETS BEING				
DEPRECIATED	<u>\$2,352,279</u>	<u>\$129,363</u>	<u>\$ (64,500)</u>	<u>\$2,417,142</u>
LESS ACCUMULATED				
DEPRECIATION FOR:				
Buildings	\$ 237,705	\$ 29,565	\$ -	\$ 267,270
Office Equip.	153,648	8,576	-	162,224
Public Works Equip.	39,211	276	(4,500)	34,987
Police Equip.	19,289	49	-	19,338
Park Equip.	11,389	220	-	11,609
Motor Pool Equip.	239,191	45,063	(11,550)	272,704
Major Street Equip.	21,850	3,800	-	25,650
Streetscape Project	23,726	13,558	-	37,284
Library Collection	<u>196,425</u>	<u>-</u>	<u>-</u>	<u>196,425</u>
Accumulated Deprec.	<u>\$ 942,434</u>	<u>\$101,107</u>	<u>\$ (16,050)</u>	<u>\$1,027,491</u>
Net Capital Assets				
being Depreciated	<u>1,409,845</u>	<u>28,256</u>	<u>(48,450)</u>	<u>1,389,651</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$1,443,714</u>	<u>\$ 28,256</u>	<u>\$ (48,450)</u>	<u>\$1,423,520</u>

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance <u>7-1-05</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6-30-06</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital Assets not being Depreciated:				
Land	\$ <u>119,362</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>119,362</u>
Capital Assets being Depreciated:				
Mains, Wells, Collection and Treatment Facilities	\$4,449,551	\$ 75,000	\$ -	\$4,524,551
Machinery & Equip.	208,975	-	(6,534)	202,441
Office Furniture & Equipment	<u>42,985</u>	<u>-</u>	<u>-</u>	<u>42,985</u>
Capital Assets being Depreciated	\$4,701,511	\$ 75,000	\$(6,534)	\$4,769,977
Less Accumulated Depreciation for:				
Mains, Wells, Collection and Treatment Fac.	\$1,807,959	\$100,326	\$ -	\$1,908,285
Machinery & Equip.	87,328	8,710	(4,573)	91,465
Office Furniture and Equipment	<u>42,986</u>	<u>-</u>	<u>-</u>	<u>42,986</u>
Accumulated Depreciation	\$1,938,273	\$109,036	\$(4,573)	\$2,042,736
Net Capital Assets Being Depreciated	<u>2,763,238</u>	<u>(34,036)</u>	<u>(1,961)</u>	<u>2,727,241</u>
Business-Type Capital Assets, Net	\$2,882,600	\$(34,036)	\$(1,961)	\$2,846,603

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Government Activities:	
General Government	\$ 49,446
Public Safety	49
Internal Service	51,392
Recreation and Culture	<u>220</u>
TOTAL GOVERNMENT ACTIVITIES	<u>\$101,107</u>
Business-Type Activities:	
Water	\$ 34,235
Sewer	<u>74,801</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$109,036</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Tax Collection Fund	\$ 124	Final allocation of tax receipts yet to be Distributed.
	Water Fund	50,000	Reimbursement of expenditures paid for by the General Fund
Sewer Fund	Water Fund	85,000	Reimbursement of expenditures paid for by the Sewer Fund
Water Fund	Motor Pool Fund	5,500	Reimbursement of deposit error
Water Fund	General Fund	<u>1,119</u>	Reimbursement of deposit error
		<u>\$141,743</u>	

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

INTERFUND TRANSFERS

D.A.R.E. Fund		
To Drug Law Enforcement	\$ 1,349	To transfer remainder of assets
General Fund		
To Library Fund	66,000	To provide for current year operating costs in excess of revenues.
Major Street Fund		
To Local Street Fund	<u>22,000</u>	To provide for current year operating costs in excess of revenues.
TOTAL	<u>\$89,349</u>	

NOTE 6 - LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties benefitted from the construction.

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Special Assessments Bonds					
1998 Spalding Drain	\$ 210,454	\$ -	\$ 19,149	\$ 191,305	\$ 19,130
Building Authority Bonds	733,000	-	19,000	714,000	20,000
Chemical Bank Note	148,068	-	46,484	101,584	48,049
Compensated Absences	40,994	6,317	-	47,311	-
	<u>\$1,132,516</u>	<u>\$ 6,317</u>	<u>\$ 84,633</u>	<u>\$1,054,200</u>	<u>\$ 87,179</u>
<b>Business-Type Activities</b>					
Revenue Bonds					
1982 Water System	\$ 385,000	\$ -	\$ 15,000	\$ 370,000	\$ 15,000
1983 Water System	85,000	-	5,000	80,000	5,000
1989 Wastewater Treatment	175,000	-	40,000	135,000	40,000
1999 Water System	60,000	-	14,000	46,000	15,000
	<u>\$ 705,000</u>	<u>\$ -</u>	<u>\$ 74,000</u>	<u>\$ 631,000</u>	<u>\$ 75,000</u>

The following is a summary of maturity dates, interest rates, and maturities:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Maturities</u>
<b>Governmental Activities</b>			
Special Assessment bonds			
1998 Shiawassee County Drain Co.	10-01-15	5%	\$19,130 - \$19,149
Building Authority Bonds	02-01-27	5%	\$14,000 - \$53,000
Chemical Bank Note	09-05-08	3.34%	\$3,871 - \$25,043
<b>Business-Type Activities</b>			
Revenue Bonds			
1982 Water System	10-01-21	5%	\$10,000 - \$30,000
1983 Water System	10-01-21	5%	\$1,000 - \$5,000
1989 Wastewater Treatment	05-01-09	6.5% - 7.25%	\$15,000 - \$50,000
1999 Water System	02-01-09	4.875% - 4.95%	\$10,000 - \$16,000

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

Annual debt service requirements to maturity for the above bond obligations are as follows:

Year Ended June 30, _____	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 87,179	\$ 50,155	\$ 75,000	\$ 30,000
2008	89,795	46,576	80,000	26,230
2009	45,005	43,113	91,000	22,134
2010	42,130	40,679	25,000	19,250
2011-2015	229,650	165,719	140,000	76,750
2016-2020	192,130	103,873	155,000	40,000
2021-2025	217,000	54,275	65,000	4,750
2026-2027	<u>104,000</u>	<u>5,250</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$1,006,889</u>	<u>\$509,640</u>	<u>\$631,000</u>	<u>\$219,114</u>

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages risk through the purchase of commercial insurance. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

Liability, vehicle, physical damage, property and crime - the City is a member of the Michigan Municipal Liability and Property Pool which is an association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The city is insured up to an aggregate of \$5,000,000. Coverage is subject to deductibles ranging from \$250 to \$500. The City is not subject to supplemental premium assessments by the association.

Workers' compensation - the City purchases coverage through the Michigan Municipal Workers' Compensation Fund. The fund is authorized by State law to provide its members coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.



CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 8 - PENSION PLAN

The City of Perry, Michigan, Employees' Retirement Plan is a IRC Section 501 (a) defined contribution plan which is available to all City employees regularly scheduled to work more than 24 hours per week. The Plan administrator is The Variable Annuity Life Insurance Company, An American General Company. The Plan provides that the City must contribute 5% of each participant's compensation and each participant must contribute 2.5% of compensation to the plan.

Normal retirement is age 60 or 5 years of participation in the plan, whichever is later.

Vesting occurs as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 3	0%
3 but less than 4	20
4 but less than 5	40
5 but less than 6	60
6 but less than 7	80
7 or more	100

Years of service for vesting include all years of service (not only years of plan participation).

Employee and employer contributions were \$11,450 and \$22,899, respectively for the period ended June 30, 2006.

NOTE 9 - FUND EQUITY/RETAINED EARNINGS RESERVATIONS AND DESIGNATIONS

At June 30, the following portions of the fund equity were reserved or designated in the following funds:

Enterprise Funds

Sewer Bond Reserves	\$185,643
Water Bond Reserves	<u>49,600</u>
TOTAL FOR ENTERPRISE FUNDS	<u>\$235,243</u>

CITY OF PERRY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2006

NOTE 10 - POST EMPLOYMENT BENEFITS

The City provides post-employment health insurance benefits to Qualified Retired Employees through age 65, at which time the City provides supplemental insurance coverage to Medicare. The cost of these benefits is paid by the City and is funded on a pay-as-you-go basis. The City's cost of providing the health insurance benefits to retirees for 2006 was approximately \$14,500. There were two participants at June 30, 2006.

In addition, the City provides post-employment health insurance benefits to the extent mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the City.

NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the City were adopted at an activity level. During the period ended June 30, 2006, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated.

	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund			
Clerk	\$ 44,152	\$ 44,277	\$ 125

NOTE 12 - CONTINGENCIES

The City has received grants and assistance from various sources for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants and aid agreements, the City believes any resulting adjustments would be immaterial.

NOTE 13 - FUND CHANGES

During the fiscal year ended June 30, 2006, the City closed the D.A.R.E. Fund and transferred the remaining assets to the Drug Law Enforcement Fund. Also, the activity previously recorded in the Public Safety Fund is now being recorded in the General Fund.

CITY OF PERRY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Actual (Over) Under
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES				
Taxes and Penalties	\$ 679,615	\$ 679,615	\$ 674,252	\$ 5,363
Licenses and Permits	32,050	32,050	39,584	(7,534)
State Grants	220,752	220,752	217,020	3,732
Federal Grants	35,000	1,470	1,470	-
Charges for Services	3,000	3,000	1,797	1,203
Fines and Forfeitures	16,000	16,000	11,857	4,143
Interest and Rentals	125,336	125,336	135,424	(10,088)
Other Revenue	<u>74,690</u>	<u>69,590</u>	<u>64,642</u>	<u>4,948</u>
TOTAL REVENUES	<u>\$1,186,443</u>	<u>\$1,147,813</u>	<u>\$1,146,046</u>	<u>\$ 1,767</u>
EXPENDITURES				
Current				
Legislative	\$ 21,821	\$ 18,540	\$ 17,542	\$ 998
General Government	290,143	321,387	293,295	28,092
Public Safety	460,467	497,272	430,685	66,587
Public Works	248,115	236,445	216,177	20,268
Recreation and Culture	13,600	14,040	8,194	5,846
Drains at Large	34,713	34,713	21,049	13,664
Debt Service	<u>51,047</u>	<u>51,047</u>	<u>49,047</u>	<u>2,000</u>
TOTAL EXPENDITURES	<u>\$1,119,906</u>	<u>\$1,173,444</u>	<u>\$1,035,989</u>	<u>\$ 137,455</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 66,537</u>	<u>\$ (25,631)</u>	<u>\$ 110,057</u>	<u>\$ (135,688)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	<u>(66,000)</u>	<u>(66,000)</u>	<u>(66,000)</u>	<u>-</u>
Net Change in Fund Balance	537	(91,631)	44,057	\$(135,688)
FUND BALANCE - BEGINNING	<u>183,409</u>	<u>183,409</u>	<u>183,409</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 183,946</u>	<u>\$ 91,778</u>	<u>\$ 227,466</u>	<u>\$(135,688)</u>

CITY OF PERRY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR STREET FUND  
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual (Over) Under Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental-State	\$ 91,131	\$ 91,131	\$ 88,647	\$ 2,484
Interest and Rents	<u>780</u>	<u>780</u>	<u>2,227</u>	<u>(1,447)</u>
TOTAL REVENUES	\$ <u>91,911</u>	\$ <u>91,911</u>	\$ <u>90,874</u>	\$ <u>1,037</u>
EXPENDITURES				
Public Works	\$ 77,529	\$ 78,342	\$ 68,415	\$ 9,927
Capital Outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
TOTAL EXPENDITURES	\$ <u>80,029</u>	\$ <u>80,842</u>	\$ <u>68,415</u>	\$ <u>12,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>11,882</u>	\$ <u>11,069</u>	\$ <u>22,459</u>	\$ <u>(11,390)</u>
OTHER FINANCING USES				
Operating Transfers Out	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net Change in Fund Balance	\$ (10,118)	\$ (10,931)	\$ 459	\$ (11,390)
FUND BALANCE - BEGINNING	<u>63,747</u>	<u>63,747</u>	<u>63,747</u>	<u>-</u>
FUND BALANCE - ENDING	\$ <u>53,629</u>	\$ <u>52,816</u>	\$ <u>64,206</u>	\$ <u>(11,390)</u>

CITY OF PERRY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
LOCAL STREET FUND  
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual (Over) Under Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 37,975	\$ 37,975	\$ 37,573	\$ 402
Interest and Rents	<u>500</u>	<u>500</u>	<u>592</u>	<u>(92)</u>
TOTAL REVENUES	\$ <u>38,475</u>	\$ <u>38,475</u>	\$ <u>38,165</u>	\$ <u>310</u>
EXPENDITURES				
Public Works	\$ 71,433	\$ 72,746	\$ 63,717	\$ 9,029
Capital Outlay	<u>3,000</u>	<u>3,000</u>	<u>225</u>	<u>2,775</u>
TOTAL EXPENDITURES	\$ <u>74,433</u>	\$ <u>75,746</u>	\$ <u>63,942</u>	\$ <u>11,804</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>(35,958)</u>	\$ <u>(37,271)</u>	\$ <u>(25,777)</u>	\$ <u>(11,494)</u>
OTHER FINANCING SOURCES				
Operating Transfers In	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>
Net Change in Fund Balance	\$ (13,958)	\$ (15,271)	\$ (3,777)	\$ (11,494)
FUND BALANCE - BEGINNING	<u>19,031</u>	<u>19,031</u>	<u>19,031</u>	<u>-</u>
FUND BALANCE - ENDING	\$ <u>5,073</u>	\$ <u>3,760</u>	\$ <u>15,254</u>	\$ <u>(11,494)</u>

CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>Special Revenue Funds</u>					Non
	<u>Library</u>	<u>Perry Building Authority</u>	<u>DARE Fund</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>	Major Gov't <u>Funds</u>
<b>ASSETS</b>						
Cash & Cash Equiv.	\$ <u>4,144</u>	\$ <u>11,439</u>	\$ <u>-</u>	\$ <u>8,779</u>	\$ <u>39,332</u>	\$ <u>63,694</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 601	\$ -	\$ -	\$ 1,195	\$ -	\$ 1,796
Accrued Wages	<u>760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760</u>
TOTAL LIABILITIES	\$ 1,361	\$ -	\$ -	\$ 1,195	\$ -	\$ 2,556
Deferred Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance	<u>2,783</u>	<u>11,439</u>	<u>-</u>	<u>7,584</u>	<u>39,332</u>	<u>61,138</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>4,144</u>	\$ <u>11,439</u>	\$ <u>-</u>	\$ <u>8,779</u>	\$ <u>39,332</u>	\$ <u>63,694</u>

CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>					Non-Major Gov't Funds
	<u>Library</u>	<u>Building Authority</u>	<u>DARE Fund</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>	
<b>REVENUES</b>						
Intergovernmental -						
State	\$ 4,137	\$ -	\$ -	\$ -	\$ -	\$ 4,137
Interest & Rents	985	58,213	58	19	5,511	64,786
Fines & Forf.	18,076	-	-	12,410	-	30,486
Other	<u>2,888</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>	<u>2,908</u>
TOTAL REVENUES	<u>\$ 26,086</u>	<u>\$58,213</u>	<u>\$ 78</u>	<u>\$12,429</u>	<u>\$ 5,511</u>	<u>\$102,317</u>
<b>EXPENDITURES</b>						
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Works	-	1,497	-	-	2,666	4,163
Recreation & Cultural	101,044	-	-	-	-	101,044
Debt Service	-	55,100	-	-	-	55,100
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,197</u>	<u>-</u>	<u>6,197</u>
TOTAL EXPENDITURES	<u>\$101,044</u>	<u>\$56,597</u>	<u>\$ -</u>	<u>\$ 6,197</u>	<u>\$ 2,666</u>	<u>\$166,504</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<u>\$ (74,958)</u>	<u>\$ 1,616</u>	<u>\$ 78</u>	<u>\$ 6,232</u>	<u>\$ 2,845</u>	<u>\$ (64,187)</u>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In/(Out)	<u>66,000</u>	<u>-</u>	<u>(1,349)</u>	<u>1,349</u>	<u>-</u>	<u>66,000</u>
Net Change in Fund Balance	(8,958)	1,616	(1,271)	7,581	2,845	1,813
<b>FUND BALANCE - BEGINNING</b>						
	<u>11,741</u>	<u>9,823</u>	<u>1,271</u>	<u>3</u>	<u>36,487</u>	<u>59,325</u>
<b>FUND BALANCE - ENDING</b>						
	<u>\$ 2,783</u>	<u>\$11,439</u>	<u>\$ -</u>	<u>\$ 7,584</u>	<u>\$39,332</u>	<u>\$ 61,138</u>

CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
COMPARATIVE BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$108,354	\$ 65,959
Special Assessments Receivable	34,423	50,767
Due from Other Governments	69,961	69,994
Due from Other Funds	50,124	60,483
Prepaid Expenditures	<u>18,810</u>	<u>17,921</u>
TOTAL ASSETS	<u>\$281,672</u>	<u>\$265,124</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Due to Other Funds	\$ 1,119	\$ -
Accounts Payable	13,102	24,589
Accrued Wages	5,562	6,359
Deferred Revenue	<u>34,423</u>	<u>50,767</u>
TOTAL LIABILITIES	<u>\$ 54,206</u>	<u>\$ 81,715</u>
 Fund Balance	 <u>227,466</u>	 <u>183,409</u>
Total Fund Balance	<u>227,466</u>	<u>183,409</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$281,672</u>	<u>\$265,124</u>



CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES AND  
CHANGES IN FUND BALANCE COMPARED TO BUDGET  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Actual (Over) Under Final Budget
<b>REVENUES</b>				
Current Tax Levy	\$ 660,325	\$ 660,325	\$ 655,526	\$ 4,799
Special Assessments	19,290	19,290	18,726	564
Licenses & Permits	32,050	32,050	39,584	(7,534)
Intergovernmental - State	220,752	220,752	217,020	3,732
Federal Grants	35,000	1,470	1,470	-
Charges for Services	3,000	3,000	1,797	1,203
Fines & Forfeitures	16,000	16,000	11,857	4,143
Interest & Rents	125,336	125,336	135,424	(10,088)
Other Revenues & Reimb.	<u>74,690</u>	<u>69,590</u>	<u>64,642</u>	<u>4,948</u>
<b>TOTAL REVENUES</b>	<b>\$<u>1,186,443</u></b>	<b>\$<u>1,147,813</u></b>	<b>\$<u>1,146,046</u></b>	<b>\$ <u>1,767</u></b>
<b>EXPENDITURES</b>				
Legislative	<u>21,821</u>	<u>18,540</u>	<u>17,542</u>	<u>998</u>
<b>General Government</b>				
Executive	\$ 6,981	\$ 11,750	\$ 8,168	\$ 3,582
Elections	4,300	1,900	572	1,328
General Admin.	183,742	209,617	192,011	17,606
Clerk	41,652	44,152	44,277	(125)
Treasurer	28,530	28,530	26,286	2,244
Assessor	23,938	24,438	21,581	2,857
Board of Review	<u>1,000</u>	<u>1,000</u>	<u>400</u>	<u>600</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ <u>290,143</u></b>	<b>\$ <u>321,387</u></b>	<b>\$ <u>293,295</u></b>	<b>\$ <u>28,092</u></b>
<b>Public Safety</b>				
Police Department	\$ 408,324	\$ 411,724	\$ 346,642	\$ 65,082
Fire & Ambulance	26,360	55,485	55,455	30
Building Inspection	15,790	15,790	15,093	697
Planning & Zoning	<u>9,993</u>	<u>14,273</u>	<u>13,495</u>	<u>778</u>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ <u>460,467</u></b>	<b>\$ <u>497,272</u></b>	<b>\$ <u>430,685</u></b>	<b>\$ <u>66,587</u></b>
<b>Public Works</b>				
Dept. Of Public Works	\$ <u>248,115</u>	\$ <u>236,445</u>	\$ <u>216,177</u>	\$ <u>20,268</u>
<b>Recreation &amp; Cultural</b>				
Recreation & Parks	<u>13,600</u>	<u>14,040</u>	<u>8,194</u>	<u>5,846</u>
Drains at Large	<u>34,713</u>	<u>34,713</u>	<u>21,049</u>	<u>13,664</u>

CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES AND EXPENDITURES AND  
CHANGES IN FUND BALANCE COMPARED TO BUDGET (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Actual
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	(Over) Under <u>Final Budget</u>
EXPENDITURES				
Debt Service				
Principal	\$ 45,731	\$ 45,731	\$ 44,466	\$ 1,265
Interest	<u>5,316</u>	<u>5,316</u>	<u>4,581</u>	<u>735</u>
TOTAL DEBT SERVICE	\$ <u>51,047</u>	\$ <u>51,047</u>	\$ <u>49,047</u>	\$ <u>2,000</u>
 TOTAL EXPENDITURES	 \$ <u>1,119,906</u>	 \$ <u>1,173,444</u>	 \$ <u>1,035,989</u>	 \$ <u>137,455</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 \$ <u>66,537</u>	 \$ <u>(25,631)</u>	 \$ <u>110,057</u>	 \$ <u>(135,688)</u>
 OTHER FINANCING SOURCES (USES)				
Transfers In	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	<u>(66,000)</u>	<u>(66,000)</u>	<u>(66,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(66,000)</u>	\$ <u>(66,000)</u>	\$ <u>(66,000)</u>	\$ <u>-</u>
 Net Change in Fund Balance	 537	 (91,631)	 44,057	 (135,688)
 FUND BALANCE - BEGINNING	 <u>183,409</u>	 <u>183,409</u>	 <u>183,409</u>	 <u>-</u>
 FUND BALANCE - ENDING	 \$ <u>183,946</u>	 \$ <u>91,778</u>	 \$ <u>227,466</u>	 \$ <u>(135,688)</u>

CITY OF PERRY  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
FIDUCIARY FUNDS  
JUNE 30, 2006  
(WITH COMPARATIVE TOTALS AT JUNE 30, 2005)

	Agency Funds			
	<u>Tax</u> <u>Collection</u>	<u>Imprest</u> <u>Payroll</u>	<u>Total</u>	
			<u>2005</u>	<u>2004</u>
<b>ASSETS</b>				
Cash & Cash				
Equivalents	\$ 124	\$ 4,983	\$ 5,107	\$18,396
Due from Other				
Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 124</u>	<u>\$ 4,983</u>	<u>\$ 5,107</u>	<u>\$18,396</u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 124	\$ 4,983	\$ 5,107	\$18,396
Due to Other Gov't				
Units	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>\$ 124</u>	<u>\$ 4,983</u>	<u>\$ 5,107</u>	<u>\$18,396</u>



# DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

James Demis, Jr., C.P.A.  
LaVearn G. Wenzlick, C.P.A.  
Lori S. Chant, C.P.A.  
Geraldine Terry, C.P.A.

217 N. Washington Street  
Pabst Building, Suite 201  
Owosso, MI 48867

989-723-8227 • FAX 989-725-5143  
E-MAIL office@dw-cpa.com

Carol A. Demis  
Jeanette Gaitskill  
Greg Irish  
Janis K. Mead  
Tammy Pappas  
David Pullen  
Peggy Ryan  
Vicki E. Schuler  
Joyce M. Simmons  
Barbara Wenzlick  
Gail Winnick, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Members of the City Council  
City of Perry, Michigan  
Perry, Michigan**

We have audited the financial statements of the City of Perry as of and for the year ended June 30, 2006, and have issued our report thereon dated October 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the City of Perry's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

#### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Perry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, City Council, and the applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dennis and Wengrich, P.C.*

Owosso, Michigan  
October 19, 2006



# DEMIS and WENZLICK, P.C.

*Certified Public Accountants*

217 N. Washington Street  
Pabst Building, Suite 201  
Owosso, MI 48867

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October 19, 2006

To the City Council  
City of Perry  
Perry, Michigan

In planning and performing our audit of the financial statements of the City of Perry for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the City's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

## PAYROLL CASH

The bank reconciliation is a vital part of strong internal controls. We noted that monthly bank reconciliations were not being prepared for the payroll account. We recommend the reconciling of this account monthly to maintain internal controls. The balance in this account should equal the checks issued.

City Council  
City of Perry  
Page 2  
October 19, 2006

BUDGET

The State Revenue Sharing Distribution; Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is required under this act that expenditures do not exceed the budget. Expenditures include accounts payable at June 30.

Sincerely,

*Demis and Wenzlick, P.C.*

DEMIS AND WENZLICK, P.C.  
Certified Public Accountants